

BETTER UTILITIES AND A BETTER CITY

March 10, 2010

Dear Valued Community Leader:

Today, the City of Indianapolis (City) and Citizens Energy Group (Citizens) announced the signing of a Memorandum of Understanding which contemplates the transfer of the City's water and wastewater systems to Citizens. This once-in-a-generation opportunity will mitigate future utility rate increases, while providing the City with much-needed funding to repair deteriorating neighborhood streets, sidewalks, bridges, curbs, parks and other critical infrastructure. This is another important step toward further improving quality of life for Indianapolis residents while encouraging job creation and economic growth in our community for many years to come.

After more than seven months of public conversation, advisement from the Mayor's Infrastructure Advisory Commission and deliberation by City officials, we believe the contemplated transfer is the right choice for Indianapolis. Citizens will keep our community's water systems under public ownership and manage them like a not-for-profit for the benefit of the community. Upon approval by the City-County Council and the Indiana Utility Regulatory Commission, the transfer will ensure outstanding service at the lowest possible rates, enabling the City to remain competitive as an affordable place to live and attract jobs. Finally, the transfer will provide the City with more than \$425 million for much needed investments such as improvements to our streets and sidewalks.

The City's water and wastewater systems, currently managed by Veolia Water and United Water, respectively, require substantial investment over the next 20 years to ensure system reliability and to comply with federal environmental standards and mandates. These investments will require rate increases for the foreseeable future, regardless of who owns the water and wastewater utilities.

However, the proposed Citizens transfer is estimated to result in rates which will be approximately 25 percent lower than otherwise would be the case if the City does not take action. Lower rates will be achieved by passing on to ratepayers an estimated \$40 million in annual savings generated by combining the operations of the water and wastewater utilities with Citizens' gas, steam and chilled water systems.

We know our residents and businesses want low rates and outstanding service. Citizens has been rated among the best utilities in the Midwest for customer satisfaction and operational excellence. Veolia and United are experienced operators as well, and we anticipate they will continue to play significant roles in the operations of the water and wastewater utilities. We look forward to working closely with Veolia and United as we plan the future operations of the utilities with a focus on quality service, while achieving operating synergies.

Citizens has been and will remain committed to both utility and community investments. Citizens will make the necessary investments in the water and wastewater utility infrastructure to ensure system reliability and compliance with federal environmental mandates. Specifically, Citizens will invest the necessary resources to address the City's combined sewer overflow problem that leads to the pollution of the White River and other streams. Further, over the past decade, Citizens has improved the quality of life in our community with nearly \$50 million of investments funded from revenue from its non-utility companies. As a corporate citizen of this City, Citizens has a vested interest in the continued improvement of the utilities and the community.

More than a century ago, civic leaders, including Colonel Eli Lilly, put our community's natural gas system into a public charitable trust for the benefit of the citizens of the City of Indianapolis, protecting these assets from takeover by distant companies and investors and the uncertainties of changing political forces. Today's proposed transfer heeds the lessons of history by keeping our community's water and wastewater systems in the hands of the people. Local, professional management for community benefit, lower rates and outstanding service make Citizens the best choice to own and manage our community's water and wastewater systems.

Sincerely,



Mayor Greg Ballard, City of Indianapolis

Sincerely,



Carey Lykins, President & CEO, Citizens Energy Group

